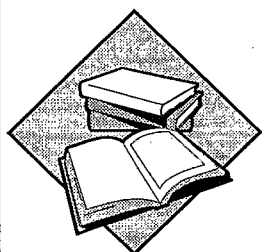




Technical Assistance Grant (TAG) Audits

Office of Emergency and Remedial Response
Hazardous Site Control Division (5203G)

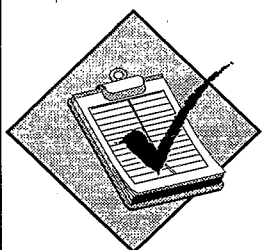
Quick Reference Fact Sheet



Background

The Superfund Technical Assistance Grant (TAG) Program is authorized under the Superfund Amendments and Reauthorization Act of 1986 (SARA). It supports community involvement in the cleanup of hazardous waste sites. TAG groups are required to spend their Federal grant funds according to Federal rules and regulations. The Government has established a policy for auditing grants to verify that grantees have followed these rules and regulations. This policy is described in the Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations*.

The purpose of this Fact Sheet is to provide an overview of the audit requirements for TAG recipients, in accordance with OMB Circular A-133, and to answer some frequently asked questions.

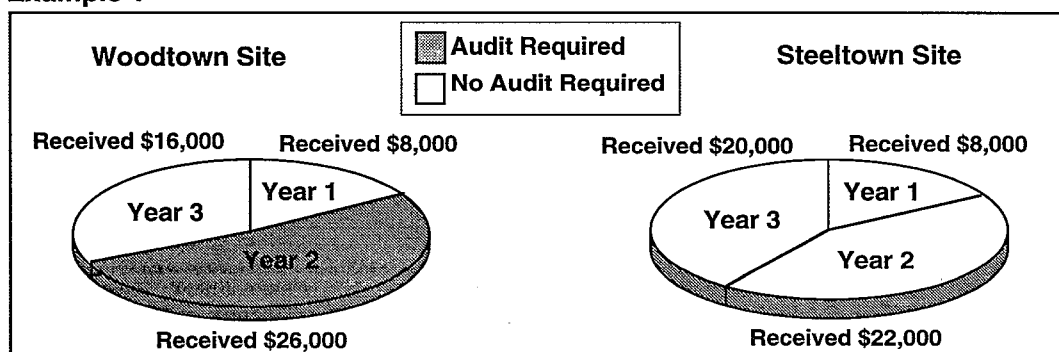


General OMB Circular A-133 Requirements

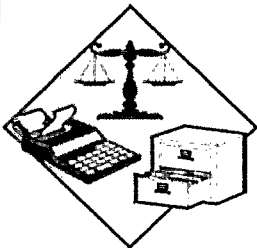
Purpose: OMB Circular A-133 applies to grants awarded in fiscal years beginning on or after January 1, 1990. A fiscal year normally covers a period of 12 consecutive months. However, only grants that are more than a specified amount (a dollar threshold) are required to be audited.

Audit Dollar Threshold: A TAG requires an audit when \$25,000 or more is received annually. If less than \$25,000 is received during a fiscal year, the TAG group is exempt from the requirement for that year. The diagrams below use two fictional towns, Woodtown and Steeltown, to illustrate an example of two TAG groups who each received a \$50,000 TAG over a three-year period. Only the Woodtown Site TAG needs to be audited, but only for Year 2.

Example 1



Even though a TAG group may be exempt from the OMB Circular A-133 audit requirement, the EPA's Office of Inspector General or the General Accounting Office (GAO) may audit any TAG, including those below the \$25,000 threshold. Therefore, all TAG groups are required to keep their financial records for ten years.



Audit Process

The Single Audit: OMB Circular A-133 audit uses the single audit concept. The single audit is a comprehensive financial and compliance audit, performed by an independent auditor, who is hired by the TAG group. It is made up of the following three components:

1. **Financial Statements** of TAG transactions.
2. **Internal Control Structure** for TAG assets, liabilities, revenues, and expenses.
3. **Compliance** with the audit rules and regulations of TAG.

The Auditor: The auditor may be any independent Federal, state, or local government auditor or public accountant, provided that that individual meets the Government Auditing Standards and follows the audit requirements. After the single audit is performed, the auditor prepares a written report on the findings of the audit and presents it to the TAG group.

The Report: The audit report lists the findings or conclusions of the audit, based on the three components of the single audit, and makes any necessary recommendations. The TAG group is responsible for preparing a written response to the findings and recommendations of the audit report. This response is called a corrective action plan. For example, if the auditor finds that the group did not follow a certain TAG requirement, the group would prepare a corrective action plan describing the steps that are being taken or will be taken to correct the problem.

The Due Date: A TAG audit must be completed within 12 months after the end of the fiscal year that is being audited. The audit report and the corrective action plan must be sent to the EPA TAG Project Officer 30 days after the group receives the audit report from the auditor. Within six months, if EPA is the cognizant Federal agency of the TAG group, it will issue a management decision in response to the audit report. In Example 1, the Woodtown group determined that their TAG should be audited for Year 2, since more than \$25,000 was received that year. The table in Example 2 shows the single audit schedule of the Woodtown Site TAG group, whose cognizant Federal agency is EPA.

Example 2

Woodtown TAG Audit Schedule			
YEAR 1	YEAR 2	YEAR 3	YEAR 4
TAG Awarded on April 1		TAG Audit for Year 2 Completed by March 31	Submitted Audit Report to EPA's Project Officer by April 30
Received \$8,000—No Audit Required for Year 1	Received \$26,000—Audit Required for Year 2	Received \$16,000—No Audit Required for Year 3	Received EPA's Management Decision by October 31



Answers to Frequently Asked Questions

When are TAG funds considered "received" by the group?

TAG funds are considered "received" on the date of each Federal payment to the group. Most TAG recipients are paid on a reimbursement basis. As a result, when a group is awarded a TAG of \$50,000, they usually do not "receive" the entire \$50,000 in a one-year period.

Should the 20 percent match requirement be considered when calculating the total TAG funds received during a fiscal year?

No, the 20 percent match requirement of a TAG has no bearing on the annual \$25,000 threshold of the audit requirement. Only the Federal funds received by the TAG group are used to determine whether an audit is required. In-kind contributions, that is, volunteered services and donated supplies, are not Federal funds.

Whose fiscal year does the audit cover?

The audit period covers the TAG group's fiscal year; that is, the twelve-month period that begins on the anniversary date of the TAG award. For example, if the Woodtown TAG group's TAG award date is April 1, their fiscal year runs from April 1 to March 31.

What happens to the audit report?

EPA's Inspector General receives and evaluates the audit report, which contains the auditor's findings and recommendations, as well as the group's corrective action plan. EPA is responsible for the resolution of the TAG audit findings. EPA must respond to the audit findings and the corrective action plan. This response is known as a management decision. EPA has six months after receipt of the audit report to resolve the audit findings with a management decision.

Who pays for the TAG audit?

The cost of an audit can be paid with TAG funds, provided the audit is performed according to OMB Circular A-133. If the audit service was donated or discounted, it may be used as a non-cash contribution towards the 20 percent match requirement. The value of donated or discounted audit services may be applied as an in-kind contribution if they are properly documented and approved by EPA. A TAG Coordinator should be contacted if more information is needed on this issue.

What are the consequences of non-compliance with the audit requirement?

TAG recipients run the risk of being penalized if they do not follow the audit requirement. Non-compliance may include failure to:

- follow any of the audit requirements
- perform audits in a timely manner
- perform audits according to OMB Circular A-133

As a result of non-compliance, EPA may consider withholding a percentage of remaining TAG funds until the audit is completed satisfactorily, withholding or disallowing future operating costs, or suspending the TAG until a proper audit is conducted.



Where is the audit report stored and for how long?

All TAG groups and their technical advisors must retain audit reports and workpapers for a minimum of ten years from the date of the audit report and have them readily available, should EPA request them. Audits of TAGs that received more than \$100,000 annually should be submitted by TAG recipients to the U.S. Bureau of the Census' Single Audit Clearinghouse (Single Audit Clearinghouse, Data Preparation Division, U.S. Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132) within 30 days after being submitted to EPA.

Contact your Regional TAG Coordinator if you need more information about the TAG Program or have additional questions regarding the TAG audit requirements.



United States
Environmental Protection
Agency (5203G)
Washington, DC 20460

Official Business
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\$300